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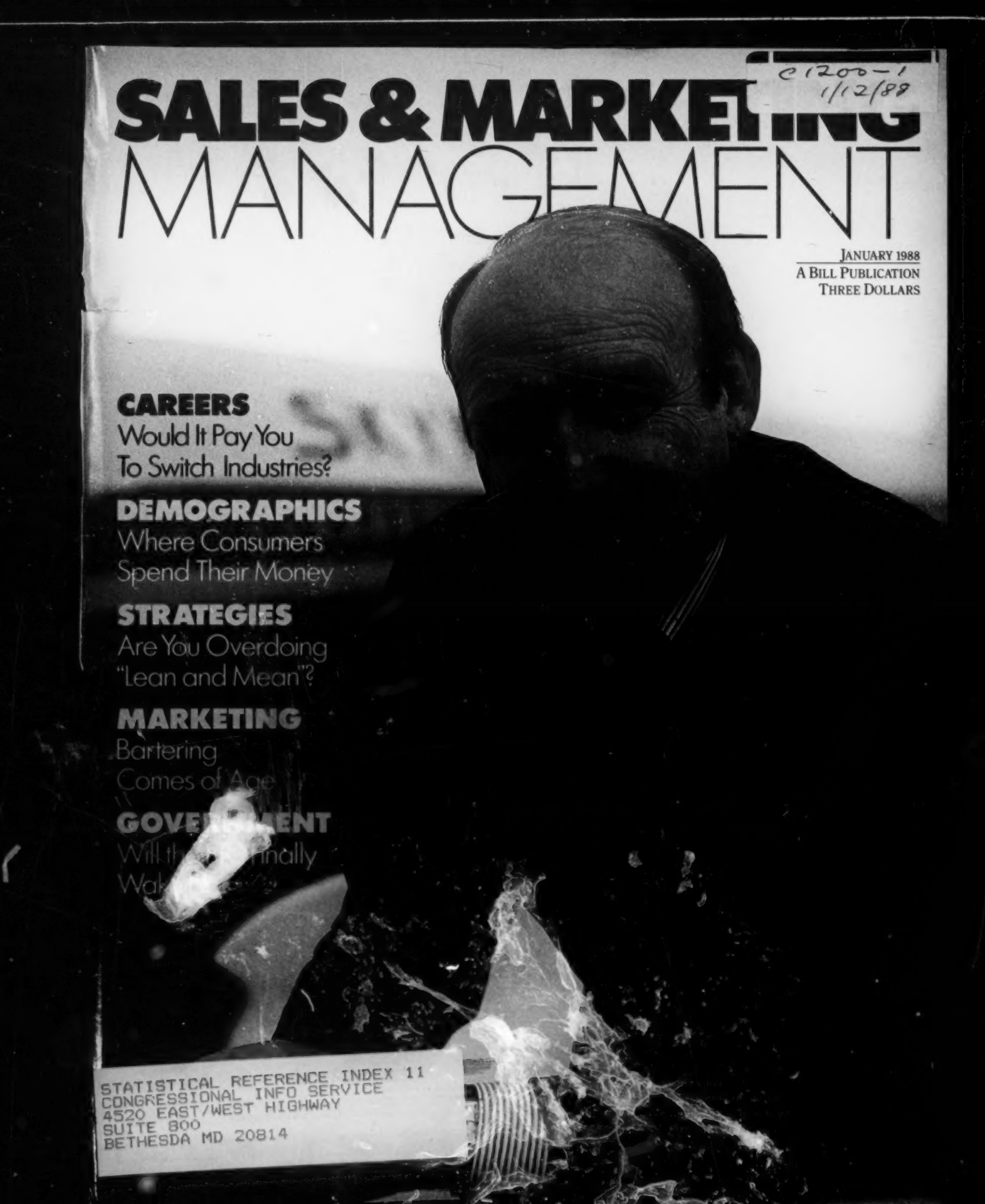

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DEMOGRAPHICS
Where Consumers Spend Their Money

STRATEGIES
Are You Overdoing "Lean and Mean"?

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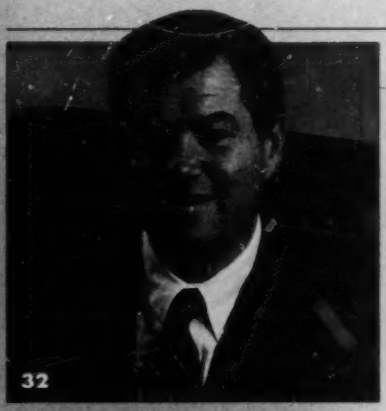
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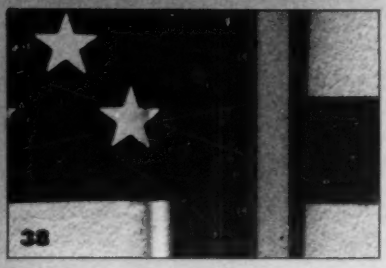
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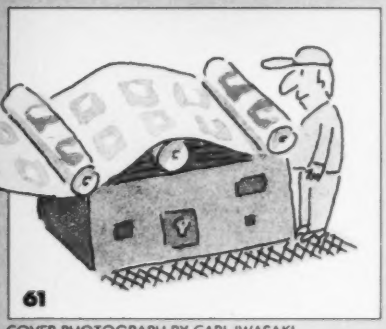
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FEATURES

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"A good marketer can sell anything," the saying goes. Well, the gross may not always be greener, but fence jumping is definitely a trend. Urgent, sometimes desperate, demand for new approaches to a changing marketplace sends companies of all shapes and sizes scouting outside the neighborhood for talent.

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You may be if your organization lacks the horsepower to accelerate when the sales climate improves. The danger in the frenzy for sustainable competitive advantage is that in cutting fat from the system, you can also cut into the muscle and bone of an organization.

56 WILL THE FTC FINALLY WAKE UP?
There are stirrings, to be sure, but critics from every sector contend the agency is still far from having both feet on the floor. Last summer it filed suits against two national advertisers, representing more activity than during the past six years.

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Once used mostly to rescue companies from their mistakes, bartering is now seen as a sophisticated tool for building sales.

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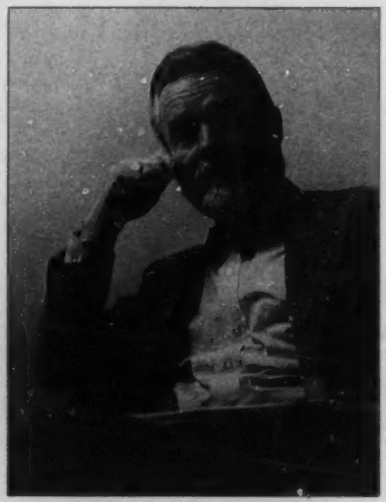
EDITOR'S SIDE POCKET

NOW COMES THE TREE HUGGER



He who lives by the ad dies by the ad. In case you haven't heard, yuppies and the conspicuous consumption they represent are heading for their great reward—in a Volvo or BMW, of course. The people labeled yuppies are still around, of course; it's just the label that's moribund; greed, materialism, and overachievement have become infra dig.

But if you fancy labels, not to worry. The trend to so-called mature markets has produced two nifties (no, "nifty" is not a label). The first is *luckies*. According to Ogilvy & Mather, the luckies are people 50-64 years old whose financial expectations, formed by the depression and World War II, have been exceeded. In other words, they're much better off than they'd ever thought they'd be, and they're looking to spend what they have and enjoy themselves. *Savvies*, on the other hand, are 65 and over, and earned their livings during the depression and Second World War; they know what that period was like, so are wary consumers. Advertising, we're told, fails for both groups. The luckies feel ignored—they don't want products for "old people"; the savvies feel insulted by such ads as the "Where's the beef?" commercial for Wendy's.

If luckies and savvies aren't enough to satisfy your taste for labels, there are *nippers*, *ninnies*, and *nuppies*. These terms refer to different types of consumers who don't use coupons. According to Robert Cottrell of Clayton/Curtis/Cottrell in Boulder, CO, a nipper is a non-involved prior user, a ninnie a non-involved never user, and a nuppie a non-user yuppie. "The last is an especially promising group," Cottrell told me, "but first they have to get past certain situational contingencies." Like trading in the Volvo, no doubt.

Still not satisfied? All right, one more, this one for the connoisseurs among you. Know what you call a job seeker associated with one firm for his entire career who's disadvantaged because employers nowadays prefer candidates with experience with several firms? According to James Challenger, president of the outplacement consulting firm bearing his name, this poor bloke is a *tree hugger*. In another time, of course, what the tree hugger represented was known—and valued—as loyalty. And so it goes.

In our November issue, we identified IKEA, the Swedish home furnishings outfit, as a market innovator. Hardly an overstatement in light of its Christmas maneuver: renting 4,000 Canadian balsams for $10, plus a $10 deposit. The returned trees will be ground into garden mulch. Will it be used to mulch a future lot of Christmas trees? Well, why not?

If you're looking for the Business Executives' Dining Awards that are usually published in this issue, look no further. They're not here. But you'll get the full course in February. Not only a listing of the 100 top restaurants for business dining in the U.S., as chosen by the readers of *Sales & Marketing Management*, but also an introductory article by restaurant critic John Mariani commenting on readers' picks plus his own list of "best bets" for executive dining. Most appealing about John is that he doesn't natter on about things only another food critic would care about. Look for it in February. Until then . . .

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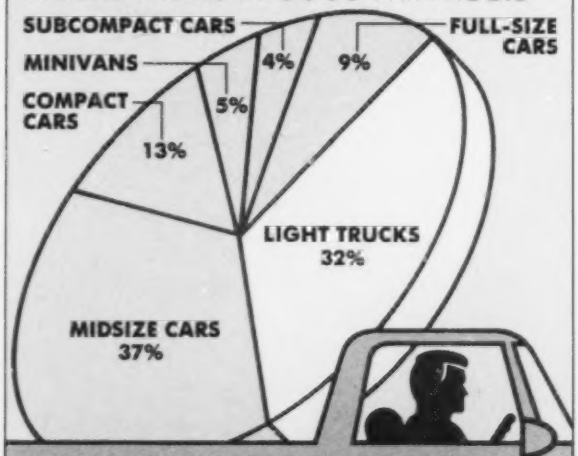
DEMOGRAPHICS IN ACTION

ON THE ROAD AGAIN

Trucks make inroads with fleets

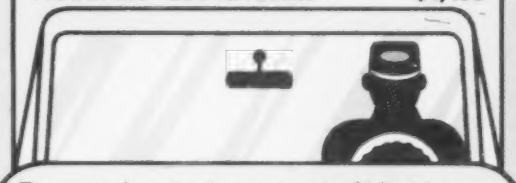


The National Association of Fleet Administrators (NAFA) reports that 44% of 1988 model year fleet purchases will be midsize cars, while 19% will be light trucks. This pattern of purchasing will undoubtedly alter the 37% share of the fleet market currently enjoyed by midsize autos, although light trucks should retain their second-place status.

SOURCE: NAFA, *1988 NEW CAR ACQUISITION SURVEY.*

Moving costs move up slowly

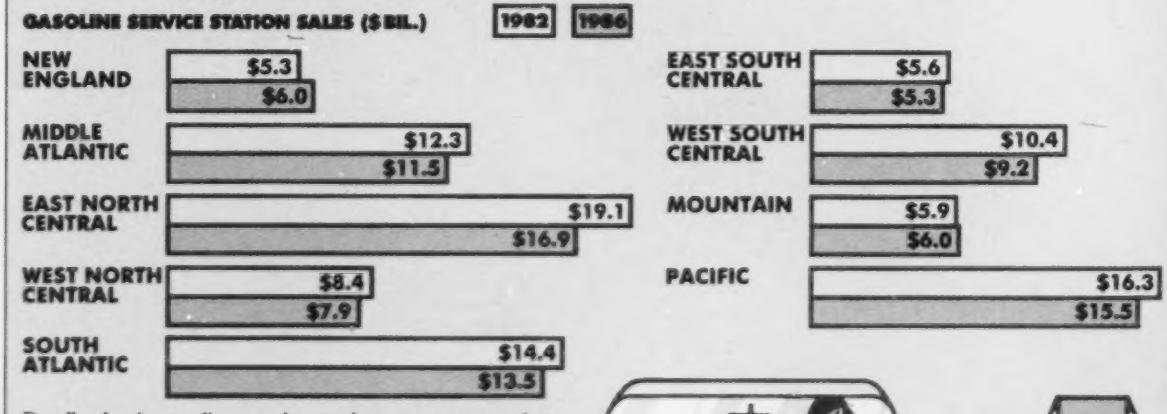
NEW YORK - MIAMI	$4,046
NEW YORK - LOS ANGELES	$6,757
LOS ANGELES - CHICAGO	$5,721
CHICAGO - NEW YORK	$3,284
HOUSTON - NEW YORK	$4,641
HOUSTON - LOS ANGELES	$4,453



The cost of moving between major U.S. cities rose at an average rate of 3.5% between 1986 and 1987, compared with a 7.5% cost increase the year before. The dollar figures here are based on an average move of 8,000 lbs. and do not include container, packing, or unpacking charges.

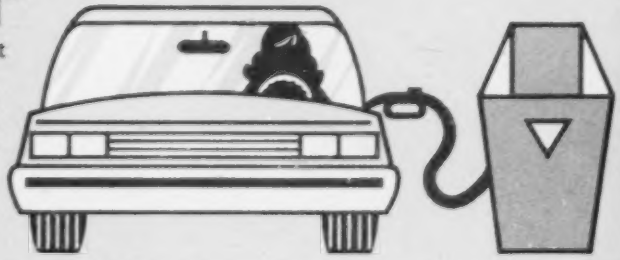
SOURCE: SALES & MARKETING MANAGEMENT'S *1988 SURVEY OF SELLING COSTS.*

Panic at the pump: Regional service station sales, 1982 & 1986



Retail sales in gasoline service stations—a category that also includes such items as tires, batteries, and other automotive accessories sold by service stations—show declines in all but two regions between 1982 and 1986. Losses were heaviest in the East North Central states, where sales fell by $2.2 billion, followed by the West South Central region, with a $1.2 billion decline.

SOURCE: SALES & MARKETING MANAGEMENT'S *1987 SURVEY OF BUYING POWER DATA SERVICE.*



RETAILING

MULLING THE FUTURE OF MALLS

Sometime next summer Value Properties will reopen its 148,000 sq. ft. Mahopac Outlet Mall in New York's Putnam County complete with a new neocolonial look. Mark Ellman, senior vice president, hopes to include among his tenants a department store and restaurants. His target market: upscale employees who work nearby at the new offices IBM and PepsiCo have set up.

The $2.5 million renovation was necessary because of serious problems with the original mall, which opened in 1973: Its three anchors, all major department stores, closed when the chains they were a part of went bankrupt; as a consequence, adjoining retailers suffered because they could not draw enough customers on their own. In addition, Value Properties introduced a discount center, which hurt the mall's image.

A just-published study of the nation's 27,500 regional malls by Equitable Real Estate Management, New York City, concludes that, like Mahopac, malls will be compelled to change if they want to keep up with demographics and and consumer buying habits. Some of the changes:

- Malls will do more business at night as more women take jobs. Also, as the population grows older, marketing, merchandising, and decor will have to be geared to these older, more sophisticated shoppers.
- Although department stores will not disappear from malls, they will lose some of their importance as anchors. Tomorrow's malls will be dominated by specialty stores, particularly those belonging to chains, such as The Limited. Some of these will act as "destination stores," attracting the public to the mall just as department stores used to.
- Malls will include more service retailers—a day-care service for mothers who work, for example.
- The Equitable study says that retailers whose per-square-foot profit margins are low, such as Woolworth, small, family-owned department stores, and supermarkets, will be forced out, their place taken by specialty stores and boutiques.
- Super-malls like the 5.5 million sq. ft. West Edmonton Mall in British Columbia will be the exception; tomorrow's mall will be "modest in size," in keeping with today's trend—from 1981 to 1985, only 14 malls of 400,000 sq. ft. or more were built vs. 30 in the 1971-75 period.

Equitable's predictions could get their first test soon. At press time, Gimbel's last department store, which is in Pittsburgh's Century III Mall, was slated to close for good, which would leave J.C. Penney, Sears, Joseph Hornes, and Kaufmann's as anchors. Will the main tenant be another department store or, as the Equitable study suggests, a series of specialty shops and boutiques? A spokeswoman for the mall's owner, Edward J. DeBartolo Corp., Youngstown, OH, refused to say.

MARKETS

WORK-AT-HOME POTENTIAL BOOMS

According to the latest market study by the ESU Telework Group of LINK Resources, a New York City research firm, 31.1 million householders expressed an interest in working at home. Research director Thomas E. Miller says this figure "shows the market's immense potential and indicates that at-home workstyles could one day impact three out of every five households, or over half the U.S. employed work force." The current 16 million households, with 23.1 million active homeworkers, grows 6.9% a year, he adds.

LIFESTYLES

MAKING LIGHT OF THE DARK SIDE

Unlike previous generations, today's teenagers defy trends and prefer to juggle their own wild, often eerie, fashions. "The look of the eighties will be a mixture of punk and Road Warrior," says Irma Zandl, whose Manhattan youth marketing firm, Xtreme, Inc., monitors the future by talking to the youngsters themselves. Their penchant for skulls and black garb shows a fascination for the dark side of life, she says, noting that it probably stems from heavy-metal and mope-rock music plus another, albeit mundane, cause: "It's meant to irritate their parents, but that's hard to do, since their parents came out of the 1960s."

Shown here are two of Zandl's friends, art student Rose Marie Guerra, 15, and skateboarder Spencer Weisbond, 17, wearing what they feel like. Don't strain to detect hidden meanings in their style. They could come up with a different wardrobe next week. In a year, though, items like these may move from *xtreme* to mainstream. Are you ready?

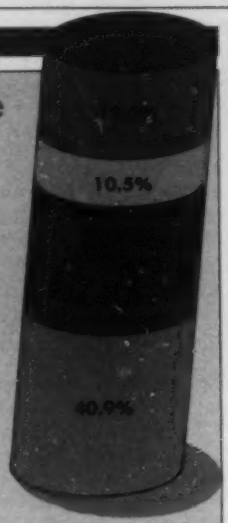
PHOTOGRAPH BY NICK FASMORE

Work-at-Home Universe

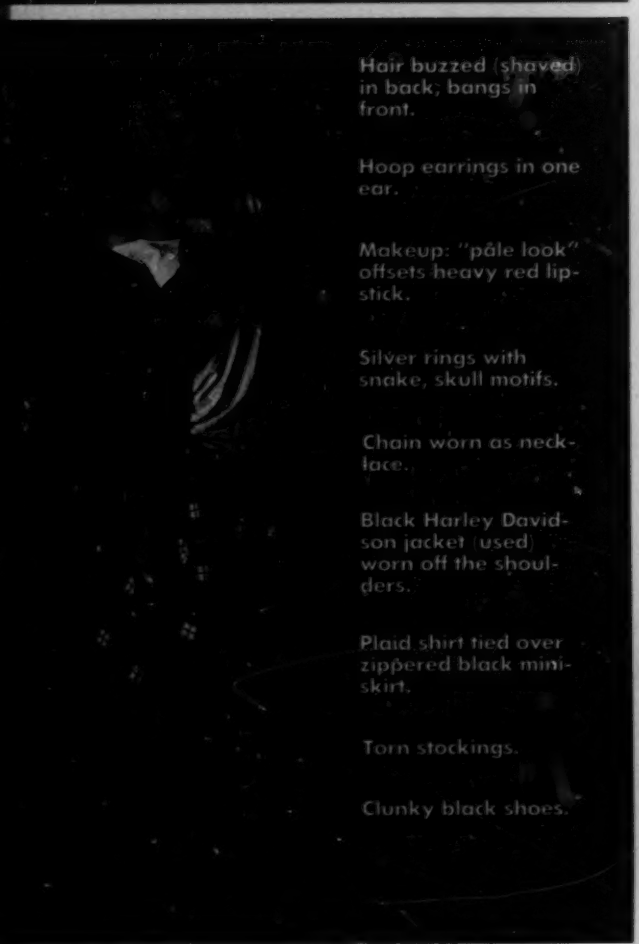
MILLION HOUSEHOLDS

TOTAL HOUSEHOLDS	88.8
1 OR MORE HOMEWORKERS	16.0
FORMER HOMEWORKER, WOULD DO IT AGAIN	9.3
WOULD CONSIDER WORKING AT HOME	21.8
FORMER HOMEWORKER, NOT INTERESTED	5.3
NO CURRENT INTEREST	36.4

NOTE: DETAILS DON'T ADD TO 100% DUE TO ROUNDING.



SOURCE: LINK Resources, ESU Telework Group, 1987 National Work-At-Home Survey.


Hair buzzed (shaved) in back; bangs in front.
Hoop earrings in one ear.
Makeup: "pâle look" offsets heavy red lipstick.
Silver rings with snake, skull motifs.
Chain worn as necklace.
Black Harley Davidson jacket (used) worn off the shoulders.
Plaid shirt tied over zippered black miniskirt.
Torn stockings.
Clunky black shoes.

INCENTIVES

CONTEST CONUNDRUM

If you run regular incentive contests for your sales force, but aren't sure exactly why, you're not alone.

In a new survey of the incentive practices of 254 sales and marketing executives at companies large and small, less than half the respondents said they thought their sales force contests were effective or very effective in achieving set goals. Yet 72% said they planned to promote contests at their current levels in 1988.

Why such a vote of confidence on such a lack of faith? "We called some of the respondents and asked them that, and the standard response was, 'What's the alternative?' " says Jerry Colletti, president of The Alexander Group, the New York City compensation consultant that conducted the study. "Incentive contests become part of the culture of sales forces. So even if they're not working, managers say, 'We can't get rid of them because we'll get a negative reaction from the salespeople.' "

Another reason for the relatively low effectiveness rating is that too many sales managers either misunderstand or misuse incentives. Cost should not be a factor in running a contest because awards should be tied directly to incremental sales. Yet, of the 81% of respondents who said they budgeted at all for sales contests, only 22% said they funded their programs by sales increases. Fully 56% said their allocation of funds for incentive awards was "discretionary."

"We were amazed by that," says Colletti. "We even had one guy tell us that he used his incentive program as a way of filling in compensation for his salespeople when they weren't making their commissions. That shows his problem is a weak compensation plan."

One more enigma uncovered by The Alexander Group's study: Recognition programs got a higher effectiveness rating (54%) than contests, yet they are employed by only 58% of incentive users in the survey. The most logical explanation for this is that recognition programs are not one-shot deals and require long-term commitments and involvement of top executives.

Other key findings:

- Three or less contests per year is the prevalent practice. More than half the sample run contests concurrently during the year.
- Cash or cash equivalent awards outpace the use of travel and merchandise except at companies with sales forces of 200 or more, which use all three award types in equal proportions.
- Recognition programs are a relatively new phenomenon. Sales executives whose companies offer them say their programs are six years old or less.
- Contest designs do not differ that much based on the size of the sales force.

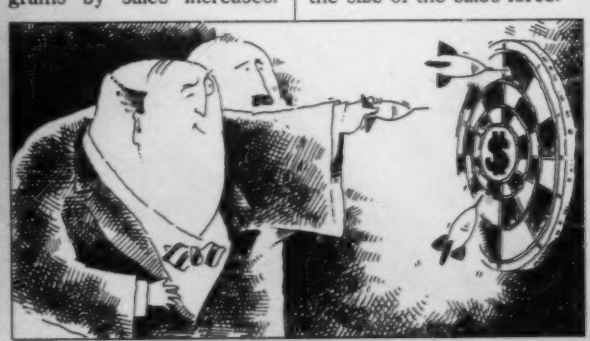


ILLUSTRATION BY GEORGE THOMPSON

WHERE CONSUMERS SPEND THEIR MONEY

Looking for a stable marketing environment? There's great news from the Great Plains.

In the nation's newest growth markets, places like Charlotte, Phoenix, and Atlanta, it's getting so you can't swing a cat without hitting a fast food franchise or a discount department store. Everywhere you look, there's another burger joint or convenience store setting up shop, transforming the once picturesque landscape into a screaming nightmare of plastic, neon, and parking lots.

On the surface, the reason businesses are flocking to these Sunbelt cities, like so many migrating geese, is the belief that healthy increases in population mean a similarly healthy environment for retailers. This line of thinking is at least partly supported by bottom-line retail sales figures, which show that the South and West pull down just over 54% of all sales nationwide, while the Northeast and North Central states account for slightly less than 46%.

Looking at spending in this very general way, one might assume that the common wisdom of "More people equals more money" is correct as it relates to the Sunbelt. However, marketers should be aware that behind these gen-

bers lie wages, salaries, and disposable incomes that are generally lower than those in the rest of the country, which, when coupled with the fact that today's consumer has about 20% less real income to spend than he did 10 years ago (after adjusting for inflation), makes for an economic situation that is less stable than most of us have been led to believe.

In order to get a better feel for what's really happening to today's scarcer consumer dollars, data from S&MM's *Survey of Buying Power* have been used to construct two relative indicators—the Sales-to-Income (S/I) Index and the Store Group-to-Total Sales (S/T) Index. These regional rankings examine changes in what (the kinds of products) and where (the specific store types) people are buying, with each region's performance between 1976 and 1986 converted to a ratio of the U.S. average (see box).

As far as the South and West are concerned, statistics on spending in key areas show a pattern of higher losses and smaller gains over the last 10 years, illustrated by the below-average performance of the Pacific and West South Central regions on the S/I and S/T Indexes. On the other hand, the New England and Middle Atlantic regions—part of the long-suffering Northeast—show above-average performance in spending, lending support to the argument that these regions are finally back on track economically.

Most surprising of all, however, are the numbers showing that the West North Central states—Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota—have recorded the smallest losses and second-largest gains in spending since 1976, making this the region with the best overall performance in the S/I and S/T Index rankings. In an attempt to find out why this region has done so well in recent years, S&MM presented these findings to a panel of regional economists and planners, discovering in the process that the question was more easily asked than answered.

"I'm at a loss to explain it," said Steve Thorp, a transportation and economic development specialist with the Great Lakes Commission. "Certainly it's not that surprising to find out that the Northeast did so well, since the economy there isn't so dependent on a single industry. But the fact that the West North Central states ranked so high seems hard to fathom."

Mike Stutzer, a regional economist at the Federal Reserve Bank of Minneapolis, echoed Thorp's senti-

What the Data Indicate

Using data from Sales & Marketing Management's *1977* and *1987 Survey of Buying Power*, two relative indicators of market performance have been constructed that show 10-year fluctuations in spending for the nine regions of the U.S. These indicators—the Sales-to-Income Index (Table 1) and the Store Group-to-Total Sales Index (Table 2)—convert data on spending in six major merchandise lines and six retail store groups into an overall figure showing how regional spending stacks up against that for the U.S. as a whole. Briefly, these indexes are calculated by averaging the six percentage change figures for each region listed in Tables 3 and 4 (Sales-to-Income Ratios and Store Group-to-Total Sales Ratios) and dividing them by a similar U.S. average, which gives us a number above or below the U.S. average, or 100 on the index scale.

As to how one interprets these figures, we can see from the S/I Ratios in Table 3 that the share of income spent on six different types of products has declined in all but one category—Drugs, Health & Beauty Aids. What this means is that when the six percentage of change figures for merchandise lines are averaged together, the resulting regional totals will all be expressed as losses. Hence, the Sales-to-Income Index is inverted, with a number below 100 indicating declines in merchandise line sales that were less severe than those for the U.S. as a whole.

Regional S/T Ratios (Table 4), on the other hand, show overall gains in store group sales for all nine regions, with the resulting S/T Index interpreted exactly the opposite from the S/I Index. Here, regions indexing *above* 100 show above-average performance over the last decade, while those below 100 had net gains smaller than the average U.S. increase of 1.4%.

TABLE 1

The Sales-to-Income Index

REGION	S/I INDEX
WEST NORTH CENTRAL	4
NEW ENGLAND	6
MIDDLE ATLANTIC	76
MOUNTAIN	97
U.S. AVERAGE	100
EAST NORTH CENTRAL	100
EAST SOUTH CENTRAL	117
PACIFIC	121
SOUTH ATLANTIC	148
WEST SOUTH CENTRAL	152

TABLE 2

The Store Group-to-Total Sales Index

REGION	S/T INDEX
EAST SOUTH CENTRAL	445
WEST NORTH CENTRAL	275
SOUTH ATLANTIC	199
NEW ENGLAND	143
MIDDLE ATLANTIC	136
MOUNTAIN	103
U.S. AVERAGE	100
PACIFIC	57
EAST NORTH CENTRAL	36
WEST SOUTH CENTRAL	36

TABLE 3

Sales-to-Income Ratios: Comparative Data for Merchandise Lines, 1976 & 1986

PERCENTAGE OF TOTAL EBI ALLOCATED TO MERCHANDISE LINES

REGION	GROCERIES 1976	GROCERIES 1986	% CHG.	DRUGS, HEALTH & BEAUTY AIDS 1976	DRUGS, HEALTH & BEAUTY AIDS 1986	% CHG.	WOMEN'S & GIRLS' CLOTHING 1976	WOMEN'S & GIRLS' CLOTHING 1986	% CHG.
New England	10.8%	9.5%	−1.3	1.2%	1.7%	+0.5	3.3%	2.9%	−0.4
Middle Atlantic	9.8%	8.2%	−1.6	1.1%	1.8%	+0.7	3.4%	2.8%	−0.6
East North Central	10.3%	8.2%	−2.1	1.2%	2.0%	+0.8	3.2%	2.6%	−0.6
West North Central	9.2%	8.8%	−0.4	1.2%	1.9%	+0.7	2.9%	2.4%	−0.5
South Atlantic	10.8%	8.1%	−2.7	1.6%	2.0%	+0.4	3.4%	2.7%	−0.7
East South Central	11.9%	9.6%	−2.3	1.6%	2.5%	+0.9	3.4%	2.8%	−0.6
West South Central	11.6%	8.8%	−2.8	1.7%	2.1%	+0.4	3.5%	2.8%	−0.7
Mountain	11.2%	9.1%	−2.1	1.4%	2.2%	+0.8	3.0%	2.6%	−0.4
Pacific	10.7%	7.8%	−2.9	1.3%	1.9%	+0.6	3.0%	2.6%	−0.4
U.S. Totals	**10.5%**	**8.4%**	**−2.1**	**1.3%**	**2.0%**	**+0.7**	**3.2%**	**2.7%**	**−0.5**

REGION	MEN'S & BOYS' CLOTHING 1976	MEN'S & BOYS' CLOTHING 1986	% CHG.	FOOTWEAR 1976	FOOTWEAR 1986	% CHG.	HOUSEHOLD APPLIANCES 1976	HOUSEHOLD APPLIANCES 1986	% CHG.
New England	1.8%	1.5%	−0.3	0.9%	0.8%	−0.1	0.8%	0.6%	−0.2
Middle Atlantic	1.8%	1.4%	−0.4	0.9%	0.8%	−0.1	0.7%	0.5%	−0.2
East North Central	1.8%	1.3%	−0.5	0.9%	0.7%	−0.2	0.9%	0.5%	−0.4
West North Central	1.9%	1.3%	−0.6	0.9%	0.6%	−0.3	0.9%	0.6%	−0.3
South Atlantic	2.0%	1.3%	−0.7	1.0%	0.8%	−0.2	1.1%	0.7%	−0.4
East South Central	2.0%	1.4%	−0.6	1.1%	0.8%	−0.3	1.2%	0.7%	−0.5
West South Central	2.1%	1.5%	−0.6	1.1%	0.9%	−0.2	1.2%	0.7%	−0.5
Mountain	1.9%	1.4%	−0.5	0.9%	0.8%	−0.1	1.1%	0.6%	−0.5
Pacific	1.8%	1.4%	−0.4	0.9%	0.8%	−0.1	0.8%	0.5%	−0.3
U.S. Totals	**1.9%**	**1.4%**	**−0.5**	**1.0%**	**0.8%**	**−0.2**	**0.9%**	**0.6%**	**−0.3**

TABLE 4

Store Group-to-Total Sales Ratios: Comparative Data for Store Groups, 1976 & 1986

STORE GROUP SALES AS A PERCENTAGE OF TOTAL RETAIL SALES

REGION	FOOD STORES 1976	FOOD STORES 1986	% CHG.	EATING & DRINKING 1976	EATING & DRINKING 1986	% CHG.	GENERAL MERCH. STORES 1976	GENERAL MERCH. STORES 1986	% CHG.
New England	21.8%	20.2%	−1.6	8.5%	10.8%	+2.3	13.6%	10.4%	−3.2
Middle Atlantic	22.8%	21.4%	−1.4	8.2%	9.4%	+1.2	14.6%	10.8%	−3.8
East North Central	21.2%	19.0%	−2.2	9.2%	9.7%	+0.5	14.7%	12.5%	−2.2
West North Central	19.2%	20.4%	+1.2	8.7%	8.6%	−0.1	14.7%	12.4%	−2.3
South Atlantic	21.4%	19.5%	−1.9	8.1%	9.4%	+1.3	14.8%	11.2%	−3.6
East South Central	23.7%	21.7%	−2.0	6.4%	8.5%	+2.1	14.9%	12.9%	−2.0
West South Central	22.9%	22.1%	−0.8	7.5%	10.1%	+2.6	13.6%	12.1%	−1.5
Mountain	21.0%	22.3%	+1.3	8.5%	10.3%	+1.8	12.8%	11.0%	−1.8
Pacific	22.7%	20.2%	−2.5	10.3%	10.9%	+0.6	13.7%	11.2%	−2.5
U.S. Totals	**21.9%**	**20.5%**	**−1.4**	**8.6%**	**9.8%**	**+1.2**	**14.3%**	**11.6%**	**−2.7**

REGION	FURNITURE & APPLIANCE STORES 1976	FURNITURE & APPLIANCE STORES 1986	% CHG.	AUTOMOTIVE DEALERS 1976	AUTOMOTIVE DEALERS 1986	% CHG.	DRUGSTORES 1976	DRUGSTORES 1986	% CHG.
New England	4.7%	4.2%	−0.5	16.7%	21.5%	+4.8	2.7%	2.9%	+0.2
Middle Atlantic	5.3%	5.9%	+0.6	15.9%	20.6%	+4.7	3.0%	3.6%	+0.6
East North Central	5.1%	5.0%	−0.1	19.9%	23.4%	+3.5	3.1%	4.1%	+1.0
West North Central	4.7%	4.4%	−0.3	20.4%	25.1%	+4.7	2.8%	2.8%	N.C.
South Atlantic	5.9%	5.6%	−0.3	18.9%	25.6%	+6.7	3.6%	3.6%	N.C.
East South Central	4.7%	4.9%	+0.2	20.3%	24.2%	+3.9	3.3%	4.0%	+0.7
West South Central	5.2%	5.0%	−0.2	20.4%	21.2%	+0.8	3.1%	2.7%	−0.4
Mountain	5.4%	5.4%	N.C.	19.9%	20.0%	+0.1	3.5%	3.3%	−0.2
Pacific	5.3%	5.5%	+0.2	17.4%	22.7%	+5.3	3.9%	3.6%	−0.3
U.S. Totals	**5.3%**	**5.2%**	**−0.1**	**18.7%**	**22.9%**	**+4.2**	**3.3%**	**3.5%**	**+0.2**

Source: Sales & Marketing Management's *1977* and *1978 Survey of Buying Power*. © Sales & Marketing Management

ments, although he did say that the West North Central region's stellar performance might have something to do with recent changes in the retail complexion of that part of the country.

"I think one of the things that has happened in this area is that the small-town, main-street type of retailer has dried up," he said. "There's been a real 'malling-over' of this section of the country in recent years, and I'm wondering whether that kind of trend might be what's reflected in these numbers."

Stutzer's explanation of increased spending in larger stores is at least partly supported by *Survey of Buying Power* data showing a rise in the share of sales accounted for by six major retail store groups—up from 70% to 74% of total retail sales between 1976 and 1986. In addition, the *Survey*'s Sales Activity Index, a figure that measures per-capita retail sales against those for the U.S. as a whole, shows that the West North Central region's ratio has risen since 1976, one of only four regions where this is the case. On top of that, four of the remaining five regions that posted declines in this index were located in the South and West, indicating that things may finally be turning around for states outside of the Sunbelt.

Looking at data in other areas, the West North Central states also post respectable numbers for median household income, where current statistics show 13 of the top 100 metro areas located in this region. And while this 13% figure may not seem like a major share of the nation's top-earning metros, it should be pointed out that only 3 other regions have more than 13 metros in the top 100 rankings—the Middle Atlantic and Pacific regions, which have 16 and 15 metros apiece, and the East North Central region, which places no fewer than 25 in the top 100. In addition, average household income projections for 1991 show that 32 of the top 50 metros (64%) will be located in either the Northeast or North Central states, with 8 of these metros inside the boundaries of the West North Central region itself.

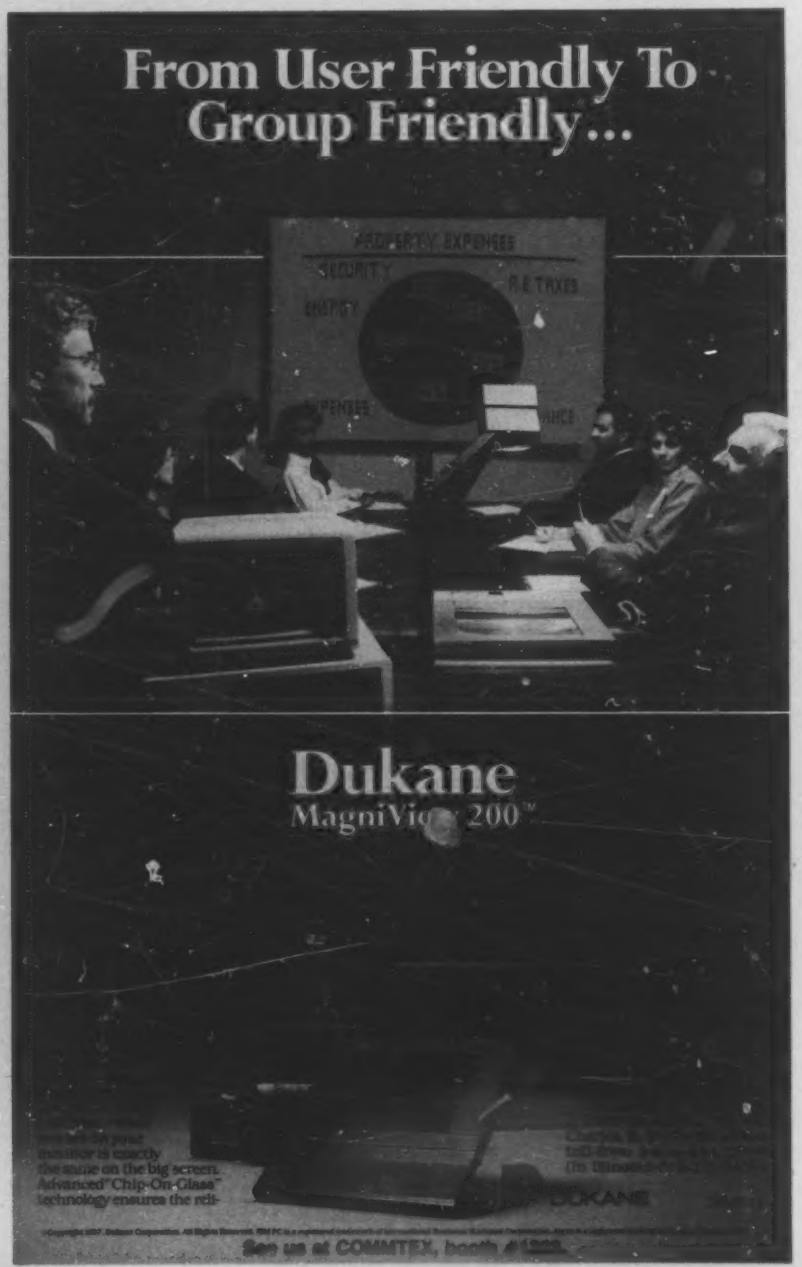
INCOME AND OUTCOME

The question of how these higher household income figures might relate to the performance of the West North Central region was put to Charles Bartsch of the Northeast-Midwest Institute, a Washington, DC-based organization that maintains information on a broad list of economic and social trends affecting these states. Like Thorp and Stutzer, Bartsch says that he was also surprised by the data, particularly since higher regional incomes are usually eaten up by similarly higher costs of food, housing, and transportation.

"I wouldn't have expected this kind of result," he said, "because, while I know that people typically earn more in this region, I'm not sure this translates into a higher level of disposable income."

When asked about data that show increased spending in food stores against a decline in eating and drinking place sales for this region—an inversion of the nationwide trend—Bartsch confessed that he was again somewhat baffled. "All I can tell you is that with the recent crisis in the farm sector, this trend toward higher food sales may indicate that people just don't have the luxury of eating out as much as they might in some other regions."

In response to this same question, Mike Stutzer offered what he called his "time-lag" theory of food economics: "If it's a choice between food at home and food away from home, then I'd have to say that we've been somewhat



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slower in latching on to the national trend toward eating out more," he said. "But recently—and here I'm talking about since 1983 or so—we've had a lot of growth in the number of secondary wage earners and two-income households, which means that ultimately we'll see the same kind of numbers in this region as we're currently seeing in the rest of the country in terms of food away from home."

Another interpretation of the data showing increases in the share of retail sales accounted for by food stores came from John Seltzer, manager of corporate planning for Super Valu Stores, a major midwestern food wholesaler.

"The only thing that immediately comes to mind," he said, "is that we have a relatively homogeneous population here, and I think you'll find less ethnic diversity, which in my mind tends to support the business of the larger chain stores. By this I mean that someone who's marketing in, say, Southern California, who has to deal with large numbers of Orientals and Hispanics and other immigrant populations, just can't effectively deal with the multiple marketing necessary to reach all these people. If I were opening a store, I would say I'd probably do better in an area where everybody that my chain services is the same, because I could use the same merchandising."

HORACE GREELEY REVISITED

Having made our case for recognition of the West North Central region as the nation's premier retail market, let's go back and look at the facts to see if these conclusions hold up.

Naturally, the strongest evidence is offered by the statistics on regional performance, which reveal a pattern of smaller losses and larger gains for this region across the six merchandise lines and six store groups charted. Supporting these findings, we have the data showing that major store group sales in West North Central metros are up over the last 10 years, which tends to refute claims that this region is something of an also-ran in retailing circles. In addition, the above-average performance of these metros in the areas of median household income and projected income show that prospects for this region are good and getting better.

As for the interpretations offered by Thorp, Stutzer, Bartsch, and Seltzer, the most solid explanations for the region's impressive performance seem to be those dealing with the makeup of the population and the region's changing retail complexion. Seltzer's appraisal of homogeneity was roundly embraced by all as a possible contributing factor, while the region's propensity toward increased spending in larger stores (and in food at home vs. food away from home) was touched on by both Stutzer and Bartsch. And while their explanations may not fully account for the region's performance, that performance is nonetheless supported by the data at hand.

Either way, the point has been made and the facts laid out, so in the words of Horace Greeley (with a nod to the data at hand): "Go West—and North—and Central—young man." □

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HI-TECH'S SPLIT PERSONALITY ON MARKETING

Marketing is far from universally accepted among hi-tech firms, according to *High-Tech Marketing* magazine's second annual survey of marketing budgets. Compared to the 6.2% of sales allocated to marketing by hardware outfits, software and services companies spend half again as much: 9.9% and 9.7%, respectively.

The contrast, says publisher Robert J. Dowling, stems from the fact that "software companies early on recognized they are selling solutions and have to market them. Hardware companies are still dominated by engineers who think in terms of iron, or product." Software companies are especially heavy spenders in the sales area (see tables).

Hi-tech Marketing as a Percent of Sales,

	HARDWARE COMPANIES	SOFTWARE COMPANIES	SERVICES COMPANIES
Sales force	4.5%	8.3%	6.1%
Advertising	0.7	0.7	1.2
Promotion/public relations	0.6	0.5	0.9
Direct mail/telemarketing	0.3	0.3	1.3
Marketing research	0.1	0.1	0.2
Total	6.2%	9.9%	9.7%

and Where the Marketing Dollar Goes

	HARDWARE COMPANIES	SOFTWARE COMPANIES	SERVICES COMPANIES
Sales force	73.9%	83.6%	62.9%
Advertising	10.7	7.5	12.2
Promotion/public relations	9.2	5.4	9.3
Direct mail/telemarketing	4.1	2.7	12.9
Market research	2.1	0.8	2.5

SOURCE: *HIGH-TECH MARKETING.*

When percentages for the three types of companies are averaged, they show that hi-tech marketing efforts siphon 8.6% of the sales dollar: 6.3% goes to the sales force, which is probably a higher proportion than most industrial companies spend on their sales forces. In fact, in 1986 a McGraw-Hill survey of industrial goods companies found that marketing represented 8.9% of the sales dollar, with direct selling accounting for 5.9%.

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